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DAN F. ARNETT
CHIEF OF STAFF

177049

December 13, 2005

VIA HAND DELIVERY

The Honorable Charles L. A. Terreni
Chief Clerk / Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

SC PUBLIC SERVICE
COMMISSION

2005 DEC 13 PM 4:50

RECEIVED

RE: Application of Utilities Services of South Carolina, Inc. for Adjustment
of Rates and Charges and Modifications to Certain Terms and Conditions
for the Provision of Water and Sewer Services
Docket No. 2005-217-WS

Dear Mr. Terreni:

Enclosed for filing on behalf of the parties of record, please find the original and 16 copies of revised pages 2-5 of, and revised Exhibits "D" and "E" to, the December 5, 2005 Settlement Agreement previously submitted by the parties of record in the above-referenced docket. The parties respectfully request that you substitute these revised pages of the Settlement Agreement and exhibits thereto for the corresponding pages and exhibits previously filed.

The revisions to the Settlement Agreement are necessary to correct an error in the calculation of the annual revenue figure agreed to by the parties. The number of \$617,064 should have been \$614,708. This figure in turn requires a revision to Exhibit "E," which is the parties' agreed upon rate schedule. The revisions to Exhibit "D" are necessary to correct the inadvertent attachment of the accounting exhibits to the pre-filed testimony of Sharon G. Scott, which reflects revenues at the **proposed rates**, as an exhibit to the Settlement Agreement. Exhibit "D" should have consisted of the accounting exhibits reflecting the effect of the agreed upon annual revenue increase. The revised version of Exhibit "D" corrects this error on the part of both parties of record.

The parties of record apologize to you and the Commission for any inconvenience or confusion that may have resulted from their error in this regard. If you have any

questions, or require additional information regarding the foregoing, please do not hesitate to contact either of us.

Sincerely,

Wendy B. Cartledge

Wendy B. Cartledge
Counsel for Office of Regulatory Staff

John M. S. Hoefer

John M. S. Hoefer
Counsel for Utilities Services of South
Carolina, Inc.

WHEREAS, ORS has audited the books and records of the Company relative to the matters raised in the Application and, in connection therewith, has requested of and received from the Company additional documentation;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests; and

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by stipulating to a comprehensive settlement of all issues pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of water and sewer service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable rate of return.

1. The Parties agree that no documentary evidence will be offered in the proceeding by the Parties other than: (1) the Application filed by the Company, (2) the exhibits to the testimony referenced in paragraph 2 hereinbelow, and (3) this Settlement Agreement with Exhibits "A"- "C" attached hereto and revised Exhibits D and E attached hereto.

2. The Parties stipulate and agree to include in the hearing record of this case the pre-filed testimony of Sharon G. Scott, Dawn M. Hipp and Bruce T. Haas (direct and rebuttal), including all exhibits attached to the pre-filed testimony, without objection, change, amendment, or cross-examination. Further, the parties agree to include in the hearing record of this case

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without objection, change, amendment, or cross examination the testimony of witnesses Steven M. Lubertozzi, Converse A. Chellis, III and Dawn M. Hipp attached hereto and incorporated herein by this reference as Exhibits "A", "B" and "C".

3. The Parties stipulate and agree that the accounting exhibits prepared by ORS and attached hereto as Revised Exhibit "D" fairly and reasonably set forth the Company's operating expenses, pro forma adjustments, depreciation rates, rate base, return on equity at a rate of 9.75%, revenue requirement, and rate of return on rate base.

4. The Parties stipulate and agree that the rate schedule attached hereto as Revised Exhibit "E", including the rates and charges and terms and conditions of service, are fair, just, and reasonable. The Parties further stipulate and agree that the rates contained in said rate schedule are reasonably designed to allow the Company to provide service to its water and sewer customers at rates and terms and conditions of service that are fair, just and reasonable and the opportunity to recover the revenue required to earn a fair return on its investment..

5. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

. . . 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public

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while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

6. In its Application, USSC has requested an increase in annual revenues of \$821,030. As a compromise to positions advanced by ORS and USSC, the Parties stipulate and agree to an increase in annual revenues of \$614,708, said increase to be based upon the adjustments reflected in the testimony of Sharon G. Scott and the return on equity stipulated to by the Parties in Paragraph 7 below.

7. The Company and ORS recognize the value of resolving this proceeding by settlement rather than by litigation and, therefore stipulate and agree for purposes of settlement in this case that a return on equity of 9.75% is just and reasonable under the specific circumstances of this case in the context of a comprehensive settlement.

8. The Parties further stipulate and agree that the stipulated testimony of record, the Application, and this Settlement Agreement conclusively demonstrate the following: (i) the proposed accounting and pro forma adjustments and depreciation rates shown on Revised Exhibit "D" hereto are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) a return on common equity of 9.75 %, which yields a fair rate of return for the Company of 8.37%, and an annual increase in revenues of approximately \$614,708, is fair, just, and reasonable when considered as a part of this stipulation and settlement agreement in its entirety; (iii) USSC's services are adequate and being provided in accordance with the requirements set out in the Commission's rules and regulations pertaining to the provision of water sewer and sewer service, and (iv) USSC's rates as proposed in this Settlement Agreement are fairly designed to equitably and reasonably recover the revenue requirement and

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are just and reasonable and should be adopted by the Commission for bills rendered by the Company on and after January 19, 2006.

9. The Parties further agree and stipulate that the rate schedule attached hereto as Revised Exhibit "E", including the rates and charges and the terms and conditions set forth therein, are just and reasonable, reasonably designed, and should be approved and adopted by the Commission. The Parties agree that Commission approval of the rate schedule provision concerning the pass-through to customers of purchased water and bulk sewer treatment service charges is effective only with respect to current purchased water and bulk sewer treatment charges imposed upon the Company and that any future increases in the amounts of such charges to be passed-through to affected customers may only be placed into effect by the Company upon compliance with the procedure established by the Commission in its Order No. 2002-285, Docket No. 2001-164-W/S.

10. USSC agrees and stipulates that it will file with the Commission a performance bond for water service in the amount of \$350,000.00 and a performance bond for sewer service in the amount of \$150,000.00.

11. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

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Audit Exhibit SGS-1

Utilities Services of South Carolina, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2004
Combined Operations

<u>Description</u>	(1) Per Company Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) As Adjusted \$	(4) Effect of Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>					
Service Revenue - Water	2,142,888	(1,344) (A)	2,141,544	562,150 (M)	2,703,694
Service Revenue - Sewer	109,659	(2,550) (A)	107,109	52,558 (M)	159,667
Miscellaneous Revenues	80,466	0	80,466	0	80,466
Uncollectible Accounts	(30,238)	0	(30,238)	(8,237) (N)	(38,475)
<u>Total Operating Revenues</u>	<u>2,302,775</u>	<u>(3,894)</u>	<u>2,298,881</u>	<u>606,471</u>	<u>2,905,352</u>
<u>Operating Expenses</u>					
Operating & Maintenance Expenses	1,056,437	(214,713) (B)	841,724	0	841,724
General & Administrative Expenses	479,641	112,003 (C)	591,644	0	591,644
Depreciation & Amortization Expenses	208,711	99,505 (D)	308,216	0	308,216
Taxes Other Than Income	345,885	(21,661) (E)	324,224	6,900 (O)	331,124
Income Taxes	(21,019)	21,019 (F)	0	193,304 (P)	193,304
Interest on Customer Deposits	0	3,672 (G)	3,672	0	3,672
<u>Total Operating Expenses</u>	<u>2,069,655</u>	<u>(175)</u>	<u>2,069,480</u>	<u>200,204</u>	<u>2,269,684</u>
<u>Total Operating Income</u>	<u>233,120</u>	<u>(3,719)</u>	<u>229,401</u>	<u>406,267</u>	<u>635,668</u>
Customer Growth - Audit Exhibit SGS - 7	0	1,371	1,371	1,903	3,274
<u>Net Income for Return</u>	<u>233,120</u>	<u>(2,348)</u>	<u>230,772</u>	<u>408,170</u>	<u>638,942</u>
<u>Original Cost Rate Base</u>					
Gross Plant in Service	8,367,148	715,798 (H)	9,082,946	0	9,082,946
Accumulated Depreciation	(719,490)	(299,368) (I)	(1,018,858)	0	(1,018,858)
Net Plant in Service	7,647,658	416,430	8,064,088	0	8,064,088
Cash Working Capital	192,010	(12,839) (J)	179,171	0	179,171
Water Service Corporation - Rate Base	55,561	0	55,561	0	55,561
Plant Acquisition Adjustment	1,246,257	(1,246,257) (K)	0	0	0
Contributions in Aid of Construction	(28,686)	0	(28,686)	0	(28,686)
Accumulated Deferred Income Taxes	(521,562)	0	(521,562)	0	(521,562)
Customer Deposits	(104,907)	(9,429) (L)	(114,336)	0	(114,336)
<u>Total Rate Base</u>	<u>8,486,331</u>	<u>(852,095)</u>	<u>7,634,236</u>	<u>0</u>	<u>7,634,236</u>
<u>Return on Rate Base</u>	<u>2.75%</u>		<u>3.02%</u>		<u>8.37%</u>

Audit Exhibit SGS-2

Utilities Services of South Carolina, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2004
Water Operations

Description	(1) Per Company Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) As Adjusted \$	(4) Effect of Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>					
Service Revenue - Water	2,142,888	(1,344) (A)	2,141,544	562,150 (M)	2,703,694
Miscellaneous Revenues	77,618	0	77,618	0	77,618
Uncollectible Accounts	(28,802)	0	(28,802)	(7,533) (N)	(36,335)
<u>Total Operating Revenues</u>	<u>2,191,704</u>	<u>(1,344)</u>	<u>2,190,360</u>	<u>554,617</u>	<u>2,744,977</u>
<u>Operating Expenses</u>					
Operating & Maintenance Expenses	984,221	(216,997) (B)	767,224	0	767,224
General & Administrative Expenses	454,365	105,515 (C)	559,880	0	559,880
Depreciation & Amortization Expenses	202,280	91,630 (D)	293,910	0	293,910
Taxes Other Than Income	327,754	(20,473) (E)	307,281	6,310 (O)	313,591
Income Taxes	(20,021)	20,021 (F)	0	189,241 (P)	189,241
Interest on Customer Deposits	0	3,478 (G)	3,478	0	3,478
<u>Total Operating Expenses</u>	<u>1,948,599</u>	<u>(16,826)</u>	<u>1,931,773</u>	<u>195,551</u>	<u>2,127,324</u>
<u>Total Operating Income</u>	<u>243,105</u>	<u>15,482</u>	<u>258,587</u>	<u>359,066</u>	<u>617,653</u>
Customer Growth - Audit Exhibit SGS - 7	0	1,371	1,371	1,903	3,274
<u>Net Income for Return</u>	<u>243,105</u>	<u>16,853</u>	<u>259,958</u>	<u>360,969</u>	<u>620,927</u>
<u>Original Cost Rate Base</u>					
Gross Plant in Service	8,144,078	624,975 (H)	8,769,053	0	8,769,053
Accumulated Depreciation	(713,900)	(283,591) (I)	(997,491)	0	(997,491)
Net Plant in Service	7,430,178	341,384	7,771,562	0	7,771,562
Cash Working Capital	179,823	(13,935) (J)	165,888	0	165,888
Water Service Corporation - Rate Base	52,635	0	52,635	0	52,635
Plant Acquisition Adjustment	1,180,579	(1,180,579) (K)	0	0	0
Contributions in Aid of Construction	(28,686)	0	(28,686)	0	(28,686)
Accumulated Deferred Income Taxes	(493,677)	0	(493,677)	0	(493,677)
Customer Deposits	(99,378)	(8,932) (L)	(108,310)	0	(108,310)
<u>Total Rate Base</u>	<u>8,221,474</u>	<u>(862,062)</u>	<u>7,359,412</u>	<u>0</u>	<u>7,359,412</u>
<u>Return on Rate Base</u>	<u>2.96%</u>		<u>3.53%</u>		<u>8.44%</u>

Audit Exhibit SGS-3

Utilities Services of South Carolina, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2004
Sewer Operations

<u>Description</u>	(1) Per Company Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) As Adjusted \$	(4) Effect of Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>					
Service Revenue - Sewer	109,659	(2,550) (A)	107,109	52,558 (M)	159,667
Miscellaneous Revenues	2,848	0	2,848	0	2,848
Uncollectible Accounts	(1,436)	0	(1,436)	(704) (N)	(2,140)
<u>Total Operating Revenues</u>	111,071	(2,550)	108,521	51,854	160,375
<u>Operating Expenses:</u>					
Operating & Maintenance Expenses	72,216	2,284 (B)	74,500	0	74,500
General & Administrative Expenses	25,276	6,488 (C)	31,764	0	31,764
Depreciation & Amortization Expenses	6,431	7,875 (D)	14,306	0	14,306
Taxes Other Than Income	18,131	(1,188) (E)	16,943	590 (O)	17,533
Income Taxes	(998)	998 (F)	0	4,063 (P)	4,063
Interest on Customer Deposits	0	194 (G)	194	0	194
<u>Total Operating Expenses</u>	121,056	16,651	137,707	4,653	142,360
<u>Total Operating Income</u>	(9,985)	(19,201)	(29,186)	47,201	18,015
Customer Growth - Audit Exhibit SGS - 7	0	0	0	0	0
<u>Net Income for Return</u>	(9,985)	(19,201)	(29,186)	47,201	18,015
<u>Original Cost Rate Base</u>					
Gross Plant in Service	223,070	90,823 (H)	313,893	0	313,893
Accumulated Depreciation	(5,590)	(15,777) (I)	(21,367)	0	(21,367)
Net Plant in Service	217,480	75,046	292,526	0	292,526
Cash Working Capital	12,187	1,096 (J)	13,283	0	13,283
Water Service Corporation - Rate Base	2,926	0	2,926	0	2,926
Plant Acquisition Adjustment	65,678	(65,678) (K)	0	0	0
Contributions in Aid of Construction	0	0	0	0	0
Accumulated Deferred Income Taxes	(27,885)	0	(27,885)	0	(27,885)
Customer Deposits	(5,529)	(497) (L)	(6,026)	0	(6,026)
<u>Total Rate Base</u>	264,857	9,967	274,824	0	274,824
<u>Return on Rate Base</u>	-3.77%		-10.62%		6.56%

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

<u>Description</u>	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>(A) Service Revenues - As Adjusted</u>			
1. ORS and USSC propose to adjust operating revenues to reflect current customers at current rates.			
Per ORS	(3,894)	(1,344)	(2,550)
Per USSC	(3,894)	(1,344)	(2,550)
Total Service Revenues - Per ORS	(3,894)	(1,344)	(2,550)
<u>(B) Operating and Maintenance Expenses</u>			
2. ORS and USSC propose to annualize operators' salaries. ORS annualized salaries using the actual wage increase as of 7/1/2005, excluding bonuses. USSC annualized salaries as of 12/31/04 for a 3.5% increase, excluding bonuses.			
Per ORS	92,372	87,504	4,868
Per USSC	125,701	119,103	6,598
3. USSC proposes to increase Purchased Power expense by 5.284% to reflect inflation in accordance with the Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	7,407	6,767	640
4. ORS proposes to remove purchased water costs for pass-through treatment with the exception of six subdivisions that are not included in the pass-through. USSC proposes to remove total purchased water expense for pass-through treatment to its customers. The costs of purchased water would be passed directly to the customer without any mark-up of the price.			
Per ORS	(258,060)	(258,060)	0
Per USSC	(316,770)	(316,770)	0
5. USSC proposes to increase Maintenance and Repair expense by 5.284% to reflect inflation in accordance with the Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	13,715	11,678	2,037

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

<u>Description</u>	<u>Combined</u> \$	<u>Water</u> \$	<u>Sewer</u> \$
6. USSC proposes to increase Maintenance Testing expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	2,091	1,738	353
7. USSC proposes to increase Meter Reading expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	949	949	0
8. USSC proposes to increase Chemicals expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	737	698	39
9. ORS and USSC propose to increase transportation expense for two new employees.			
Per ORS	9,287	8,798	489
Per USSC	9,287	8,798	489
10. ORS and USSC propose to increase Operating Expense Charged to Plant to reflect the increase in salaries, taxes, and benefits for operators. ORS and USSC allocated this amount based on USSC's capitalization ratio of 50.95%.			
Per ORS	(58,312)	(55,239)	(3,073)
Per USSC	(82,719)	(78,360)	(4,359)
Total Operating and Maintenance Expenses - Per ORS	(214,713)	(216,997)	2,284

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

<u>Description</u>	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
(C) General and Administrative Expenses			
11. ORS and USSC propose to annualize office salaries. ORS annualized salaries using the pay increase as of 7/1/2005, excluding bonuses. USSC annualized salaries as of 12/31/04 for a 3.5% increase, excluding bonuses.			
Per ORS	12,790	12,116	674
Per USSC	11,880	11,259	621
12. USSC proposes to increase Office Supplies and Other Office expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	6,118	5,795	323
13. ORS and USSC propose to amortize current rate case expenses over a three-year period. ORS proposes to amortize rate case expenses as of November 2005 of \$160,458 over a two-year period for an adjustment of \$80,229. USSC proposes to amortize total estimated rate case expenses of \$325,569 over a three-year period for an adjustment of \$108,523.			
Per ORS	80,229	75,415	4,814
Per USSC	108,523	102,804	5,719
14. ORS and USSC propose to annualize Pension and Other Benefits expense associated with the wage increase.			
Per ORS	18,984	17,984	1,000
Per USSC	23,036	21,828	1,208
15. USSC proposes to increase Rent expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	758	718	40

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

<u>Description</u>	<u>Combined</u> \$	<u>Water</u> \$	<u>Sewer</u> \$
16. USSC proposes to increase Insurance expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	3,964	3,755	209
17. USSC proposes to increase Office Utilities expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	1,814	1,719	95
18. USSC proposes to increase Miscellaneous expense by 5.284% to reflect inflation in accordance with Bureau of Labor Statistic's Consumer Price Index for Water and Sewerage Maintenance. ORS does not propose to use this method to adjust expenses as these adjustments would be based upon economic forecasts rather than known and measurable transactions.			
Per ORS	0	0	0
Per USSC	1,110	1,051	59
<u>Total General and Administrative Expenses-Per ORS</u>	<u>112,003</u>	<u>105,515</u>	<u>6,488</u>

(D) Depreciation and Amortization Expenses

19. ORS and USSC propose to annualize Depreciation expense using adjusted plant in service as of November 2005. See Audit Exhibit SGS-5 for the details of the adjustment.

Per ORS	9,614	7,137	2,477
Per USSC	14,990	12,489	2,501

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

<u>Description</u>	<u>Combined</u> \$	<u>Water</u> \$	<u>Sewer</u> \$
20. ORS and USSC propose to adjust the Amortization of Contributions In of Aid Construction as of December 31, 2004.			
Per ORS	(82)	(82)	0
Per USSC	274	274	0
21. ORS and USSC propose to adjust for the amortization of the Plant Acquisition Adjustment. ORS's Plant Acquisition Adjustment was computed using ORS's restated plant and accumulated depreciation at acquisition. The amortization amounted to \$115,937 less the per book amount of \$25,964 for an adjustment of \$89,973. See Audit Exhibit SGS - 12 for details. USSC proposes an amortization based on its restated accumulated depreciation using a 1.50% depreciation rate.			
Per ORS	89,973	84,575	5,398
Per USSC	(24,175)	(22,901)	(1,274)
<u>Total Depreciation and Amortization Expenses - Per ORS</u>	<u>99,505</u>	<u>91,630</u>	<u>7,875</u>
<u>(E) Taxes Other Than Income</u>			
22. ORS and USSC propose to remove 2003 real estate taxes from the test year expenses.			
Per ORS	(27,096)	(25,668)	(1,428)
Per USSC	(27,096)	(25,668)	(1,428)
23. ORS proposes to remove 2003 personal property taxes from the test year expenses.			
Per ORS	(9,495)	(8,995)	(500)
Per USSC	0	0	0
24. ORS adjusted payroll taxes for the annualized payroll adjustment based on the wage increase as of 7/1/2005. USSC proposes to annualize payroll taxes based on wages as of 12/31/2004.			
Per ORS	7,406	7,016	390
Per USSC	10,880	10,309	571

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

<u>Description</u>	<u>Combined</u> \$	<u>Water</u> \$	<u>Sewer</u> \$
25. ORS proposes to adjust utility/commission taxes and gross receipts taxes for the as adjusted revenue.			
Per ORS	7,524	7,174	350
Per USSC	0	0	0
<u>Total Taxes Other Than Income</u>	<u>(21,661)</u>	<u>(20,473)</u>	<u>(1,188)</u>
<u>(F) Income Taxes - As Adjusted</u>			
26. ORS and USSC propose to compute income taxes after accounting and pro forma adjustments using a state rate of 5% and a federal rate of 34%. See Audit Exhibit SGS-6 for details.			
Per ORS	21,019	20,021	998
Per USSC	(57,280)	110,855	(168,135)
<u>(G) Interest on Customer Deposits</u>			
27. ORS proposes to include annualized interest on customer deposits using the test year ending balance and the most recently PSC approved interest rate of 3.50%.			
Per ORS	3,672	3,478	194
Per USSC	0	0	0
<u>(H) Gross Plant In Service</u>			
28. ORS proposes to restate plant in service. ORS proposes to remove organization costs previously carried on the books of the acquired companies.			
Per ORS	(421,361)	(399,156)	(22,205)
Per USSC	0	0	0
29. ORS and USSC propose to include plant additions and capitalized time after the test year to November 2005.			
Per ORS	685,190	631,301	53,889
Per USSC	510,856	491,610	19,246

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

<u>Description</u>	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
	\$	\$	\$
30. ORS and USSC propose to include plant for work orders completed as of September 2005.			
Per ORS	848,978	789,890	59,088
Per USSC	1,553,551	1,441,314	112,237
31. ORS and USSC propose to adjust for plant retirements associated with the completed work orders as of September 2005. Adjustments to Accumulated Depreciation are reflected in Adjustment No. 35.			
Per ORS	(301,242)	(301,242)	0
Per USSC	(413,839)	(413,839)	0
32. ORS and USSC propose to remove an elevated storage tank which is no longer used by the Company. ORS removes net book value of \$75,053 (\$102,188 for plant less \$27,134 accumulated depreciation). USSC also removes the net book value amount of \$110,563.			
Per ORS	(75,053)	(75,053)	0
Per USSC	(110,563)	(110,563)	0
33. ORS and USSC propose an extraordinary retirement of wells, structures, and storage tanks. ORS removes the net book value of \$21,677 (\$30,054 for plant less \$8,377 for accumulated depreciation). USSC removes the net book value of (\$30,293).			
Per ORS	(21,677)	(21,677)	0
Per USSC	(30,293)	(30,293)	0
34. ORS and USSC propose to adjust for excess book value which represents an increase in USSC's paid in capital over the investment in the utility.			
Per ORS	963	912	51
Per USSC	963	912	51
Total Gross Plant In Service - Per ORS	715,798	624,975	90,823

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

<u>Description</u>	<u>Combined</u> \$	<u>Water</u> \$	<u>Sewer</u> \$
<u>(I) Accumulated Depreciation</u>			
35. ORS proposes to adjust accumulated depreciation for the additional plant and capitalized time. ORS also proposes to restate accumulated depreciation using rates recommended by ORS's Water and Wastewater Department for the acquired companies and to adjust accumulated depreciation for the test year at the 1.50% depreciation rate. See Audit Exhibit SGS - 13. USSC proposes to adjust accumulated depreciation for planned additional capital investments, invoiced and estimated additions, capitalized time and the restatement of accumulated depreciation to a 1.5% depreciation rate.			
Per ORS	(299,368)	(283,591)	(15,777)
Per USSC	382,333	384,305	(1,972)
<u>(J) Cash Working Capital</u>			
36. ORS and USSC propose to adjust Cash Working Capital based on pro forma expenses.			
Per ORS	(12,839)	(13,935)	1,096
Per USSC	(10,301)	(12,059)	1,758
<u>(K) Plant Acquisition Adjustment</u>			
37. ORS proposes to remove the unamortized balance of (\$1,246,257) for the Plant Acquisition Adjustment from rate base. ORS does propose to allow the amortization of the Plant Acquisition Adjustment in operating expenses. This methodology allows for a sharing of the expenses between the ratepayer and USSC shareholders. USSC proposes a reduction of (\$1,131,464) to the per book Plant Acquisition Adjustment amount of 1,246,257, resulting in a Plant Acquisition Adjustment amount of \$114,793.			
Per ORS	(1,246,257)	(1,180,579)	(65,678)
Per USSC	(1,131,464)	(1,071,836)	(59,628)
<u>(L) Customer Deposits</u>			
38. ORS and USSC propose to remove Accrued Interest owed to customers for their deposits.			
Per ORS	(9,429)	(8,932)	(497)
Per USSC	(9,429)	(8,932)	(497)

Audit Exhibit SGS-4

Utilities Services of South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004

<u>Description</u>	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>(M) Service Revenues - Proposed Increase</u>			
39. ORS and USSC propose an increase in service revenues.			
Per ORS	<u>614,708</u>	<u>562,150</u>	<u>52,558</u>
Per USSC	<u>821,130</u>	<u>750,809</u>	<u>70,321</u>
<u>(N) Uncollectible Accounts - Proposed Increase</u>			
40. ORS and USSC propose to adjust Uncollectible Accounts expense for the proposed revenue.			
Per ORS	<u>(8,237)</u>	<u>(7,533)</u>	<u>(704)</u>
Per USSC	<u>(11,039)</u>	<u>(10,097)</u>	<u>(942)</u>
<u>(O) Taxes Other Than Income - Proposed Increase</u>			
41. ORS and USSC propose to adjust utility/commission tax and gross receipts taxes for the net proposed revenue.			
Per ORS	<u>6,900</u>	<u>6,310</u>	<u>590</u>
Per USSC	<u>8,752</u>	<u>8,003</u>	<u>749</u>
<u>(P) Income Taxes - Proposed Increase</u>			
42. ORS and USSC propose to adjust income taxes for the proposed increase using a state tax rate of 5% and a federal tax rate of 34%.			
Per ORS	<u>193,304</u>	<u>189,241</u>	<u>4,063</u>
Per USSC	<u>659,765</u>	<u>65,736</u>	<u>594,029</u>

Utilities Services of South Carolina, Inc.
Depreciation and Amortization Adjustment
Test Year Ended December 31, 2004

	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
<u>Gross Plant</u>	\$	\$	\$
Gross Plant at 12-31-2004 - Per USSC	8,367,148	8,144,078	223,070
Less: Organization Costs for Acquired Companies	(421,361)	(399,155)	(22,206)
Gross Plant at 12-31-2004 - Per ORS Restatement	<u>7,945,787</u>	<u>7,744,923</u>	<u>200,864</u>
Add:			
General Ledger Additions and Capitalized Time After Test Year	685,190	631,301	53,889
Pro Forma Projects	848,978	789,890	59,088
Total Gross Plant In Service	<u>9,479,955</u>	<u>9,166,114</u>	<u>313,841</u>
Less:			
Land	(239,058)	(226,459)	(12,599)
Organization Expense	(177,153)	(163,583)	(13,570)
Franchise Fees	(6,857)	(6,857)	0
Pro forma project retirements	(301,242)	(301,242)	0
Elevated Storage Tank	(102,188)	(102,188)	0
Extraordinary Retirement	(30,054)	(30,054)	0
Computers	(156,409)	(148,166)	(8,243)
Vehicles	(299,086)	(283,324)	(15,762)
Fully Depreciated Assets (Computers Excluded)	(48,774)	(46,203)	(2,571)
Net Plant	<u>8,119,134</u>	<u>7,858,038</u>	<u>261,096</u>
Plant Depreciation @ 1.5% (66.67 years)	121,787	117,871	3,916
Computers	156,409	148,166	8,243
Less: Fully Depreciated Computers	(145,564)	(137,893)	(7,671)
Net Computers	<u>10,845</u>	<u>10,273</u>	<u>572</u>
Computer Depreciation @ 25% (4 years)	2,711	2,568	143
Vehicles	299,086	283,324	15,762
Less: Fully Depreciated Vehicles	(60,469)	(57,282)	(3,187)
Net Vehicles	<u>238,617</u>	<u>226,042</u>	<u>12,575</u>
Vehicle Depreciation @ 25% (4 years)	59,655	56,511	3,144
Excess Book Value Amortization Expense	15	14	1
Extraordinary Depreciation for Test Year	2,168	2,168	0
Annualized Depreciation Expense Allocated from WSC	3,321	3,146	175
Depreciation Expense Allocated from CWS	<u>3,059</u>	<u>2,898</u>	<u>161</u>
Total Depreciation	192,716	185,176	7,540
Less: Per Book Depreciation	(183,102)	(178,039)	(5,063)
ORS Depreciation Adjustment	<u>9,614</u>	<u>7,137</u>	<u>2,477</u>

**Utilities Services of South Carolina, Inc.
Depreciation and Amortization Adjustment
Test Year Ended December 31, 2004**

	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
	\$	\$	\$
<u>Contributions in Aid of Construction</u>			
Gross CIAC at 12-31-2004	29,077	29,077	0
CIAC Amortization @ 1.5% (66.67 years)	(436)	(436)	0
Less: Per Book Amortization of CIAC	(354)	(354)	0
	<u>(82)</u>	<u>(82)</u>	<u>0</u>
ORS Amortization Adjustment			
	<u>274</u>	<u>274</u>	<u>0</u>
USSC Amortization Adjustment			

Audit Exhibit SGS-6

Utilities Services of South Carolina, Inc.
Computation of Income Taxes
For the Test Year Ended December 31, 2004

	As Adjusted		
	Combined Operations	Water Operations	Sewer Operations
	\$	\$	\$
Operating Revenue As Adjusted	2,298,881	2,190,360	108,521
Less: Operating Expenses As Adjusted	<u>(2,069,480)</u>	<u>(1,931,773)</u>	<u>(137,707)</u>
Net Operating Income Before Taxes	229,401	258,587	(29,186)
Less: Annualized Interest Expense	<u>(310,732)</u>	<u>(299,546)</u>	<u>(11,186)</u>
Taxable Income - State	(81,331)	(40,959)	(40,372)
State Income Taxes @ 5%	<u>5.00%</u>	<u>5.00%</u>	<u>5.00%</u>
State Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>
Taxable Income - Federal	(81,331)	(40,959)	(40,372)
Federal Tax Rate @ 34%	<u>34.00%</u>	<u>34.00%</u>	<u>34.00%</u>
Total Federal Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>
Total Federal and State Income Taxes	0	0	0
Less: Income Taxes Per Book	<u>(21,019)</u>	<u>(20,021)</u>	<u>(998)</u>
Adjustment	<u>21,019</u>	<u>20,021</u>	<u>998</u>

	After Proposed Increase		
	Combined Operations	Water Operations	Sewer Operations
Operating Revenue After Proposed Increase	2,905,352	2,744,977	160,375
Operating Expenses After Proposed Increase	<u>2,076,380</u>	<u>1,938,083</u>	<u>138,297</u>
Net Operating Income Before Taxes	828,972	806,894	22,078
Less: Annualized Interest Expense	<u>(310,732)</u>	<u>(299,546)</u>	<u>(11,186)</u>
Taxable Income - State	518,240	507,348	10,892
State Income Taxes @ 5%	<u>25,912</u>	<u>25,367</u>	<u>545</u>
Taxable Income - Federal	492,328	481,981	10,347
Federal Income Taxes - @ 34%	<u>167,392</u>	<u>163,874</u>	<u>3,518</u>
Total State and Federal Income Taxes	193,304	189,241	4,063
Less: Income Taxes As Adjusted	<u>0</u>	<u>0</u>	<u>0</u>
Adjustment	<u>193,304</u>	<u>189,241</u>	<u>4,063</u>

Audit Exhibit SGS-7

Utilities Services of South Carolina, Inc.
Customer Growth Computation
Test Year Ended December 31, 2004

		(1)	(2)	(3)
Combined Operations:				
<u>Description</u>		As Adjusted	Effect of Proposed Increase	After Increase
		\$	\$	\$
Water Customer Growth		1,371	1,903	3,274
Sewer Customer Growth		0	0	0
Combined Customer Growth		1,371	1,903	3,274
Number of Customers:				
Beginning	7,105			
Ending	7,178			
Average	7,142			
		Formula:		
		Ending - Average	=	36
		Average	=	7,142
			=	0.50%
Water Operations:				
Net Operating Income		258,587	359,066	617,653
Growth Factor		0.53%	0.53%	0.53%
Customer Growth		1,371	1,903	3,274
Number of Customers:				
Beginning	6,730			
Ending	6,802			
Average	6,766			
		Formula:		
		Ending - Average	=	36
		Average	=	6,766
			=	0.53%
Sewer Operations:				
Net Operating Income		(29,186)	47,201	18,015
Growth Factor		0.00%	0.00%	0.00%
Customer Growth		0	0	0
Number of Customers:				
Beginning	375			
Ending	376			
Average	376			
		Formula:		
		Ending - Average	=	0
		Average	=	376
			=	0.00%

Note: Combined Customer Growth equals Water Customer Growth since Sewer Customer Growth equals -0-. ORS used beginning customers at 01-01-2004 and ending customers at 09-30-2005.

Audit Exhibit SGS-8

Utilities Services of South Carolina, Inc.
Cash Working Capital Allowance
For the Test Year Ended December 31, 2004

	Combined Operations	Water Operations	Sewer Operations
	\$	\$	\$
Operating and Maintenance - As Adjusted	841,724	767,224	74,500
General and Administrative - As Adjusted	<u>591,644</u>	<u>559,880</u>	<u>31,764</u>
Total Expenses for Computation	1,433,368	1,327,104	106,264
45-Day Allowance (1/8 Rate)	<u>12.50%</u>	<u>12.50%</u>	<u>12.50%</u>
Computed Cash Working Capital - As Adjusted	179,171	165,888	13,283
Cash Working Capital - Per Books	<u>192,010</u>	<u>179,823</u>	<u>12,187</u>
Cash Working Capital Adjustment - ORS	<u>(12,839)</u>	<u>(13,935)</u>	<u>1,096</u>
Cash Working Capital Adjustment - USSC	<u>(10,301)</u>	<u>(12,059)</u>	<u>1,758</u>

Utilities Services of South Carolina, Inc.
Return On Common Equity
Capital Structure at December 31, 2004

Description	Capital Structure	Ratio	-----As Adjusted-----			-----After Proposed Increase-----			Income For Return
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	
Long-Term Debt	\$ 112,803,215	55.91%	\$ 4,268,301	7.28%	4.07%	\$ 4,268,301	7.28%	4.07%	\$ 310,732
Common Equity	88,963,597	44.09%	3,365,935	-2.38%	-1.05%	3,365,935	9.75%	4.30%	328,210
Totals	201,766,812	100.00%	7,634,236		3.02%	7,634,236		8.37%	638,942

Description	Capital Structure	Ratio	-----As Adjusted-----			-----After Proposed Increase-----			Income For Return
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	
Long-Term Debt	\$ 112,803,215	55.91%	\$ 4,114,647	7.28%	4.07%	\$ 4,114,647	7.28%	4.07%	\$ 299,546
Common Equity	88,963,597	44.09%	3,244,765	-1.22%	-0.54%	3,244,765	9.90%	4.36%	321,381
Totals	201,766,812	100.00%	7,359,412		3.53%	7,359,412		8.43%	620,927

Description	Capital Structure	Ratio	-----As Adjusted-----			-----After Proposed Increase-----			Income For Return
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	
Long-Term Debt	\$ 112,803,215	55.91%	\$ 153,654	7.28%	4.07%	\$ 153,654	7.28%	4.07%	\$ 11,186
Common Equity	88,963,597	44.09%	121,170	-33.32%	-14.69%	121,170	5.64%	2.49%	6,829
Totals	201,766,812	100.00%	274,824		-10.62%	274,824		6.56%	18,015

Used Capital Structure of Utilities, Inc. and Subsidiaries @ 12-31-2004

Audit Exhibit SGS-10

Utilities Services of South Carolina, Inc.
Income Statement
Test Year Ended December 31, 2004

	Combined \$	Water \$	Sewer \$
<u>Operating Revenues</u>			
Service Revenues - Water	2,142,888	2,142,888	0
Service Revenues - Sewer	109,659	0	109,659
Miscellaneous Revenues	80,466	77,618	2,848
Uncollectible Accounts	(30,238)	(28,802)	(1,436)
<u>Total Operating Revenues</u>	<u>2,302,775</u>	<u>2,191,704</u>	<u>111,071</u>
<u>Operating Expenses</u>			
<u>Maintenance Expenses</u>			
Salaries and Wages	479,180	453,927	25,253
Purchased Power	140,181	128,071	12,110
Purchased Sewer & Water	316,770	316,770	0
Maintenance and Repair	259,549	221,003	38,546
Maintenance Testing	39,576	32,898	6,678
Meter Reading	17,968	17,968	0
Chemicals	13,952	13,217	735
Transportation	65,009	61,583	3,426
Operating Exp. Charged to Plant	(304,457)	(288,412)	(16,045)
Outside Services - Other	28,709	27,196	1,513
<u>Total</u>	<u>1,056,437</u>	<u>984,221</u>	<u>72,216</u>
<u>General Expenses</u>			
Salaries and Wages	112,917	106,966	5,951
Office Supplies & Other Office Exp.	115,776	109,675	6,101
Regulatory Commission Exp.	21	20	1
Pension & Other Benefits	106,211	100,614	5,597
Rent	14,350	13,594	756
Insurance	75,020	71,066	3,954
Office Utilities	34,334	32,525	1,809
Miscellaneous	21,012	19,905	1,107
<u>Total</u>	<u>479,641</u>	<u>454,365</u>	<u>25,276</u>
Depreciation	183,102	178,039	5,063
Extraordinary Retirement	25,963	24,595	1,368
Taxes Other Than Income	345,885	327,754	18,131
Income Taxes - Federal	(21,166)	(20,161)	(1,005)
Income Taxes - State	147	140	7
Amortization of ITC	0	0	0
Amortization of CIAC	(354)	(354)	0
<u>Total</u>	<u>533,577</u>	<u>510,013</u>	<u>23,564</u>
<u>Total Operating Expenses</u>	<u>2,069,655</u>	<u>1,948,599</u>	<u>121,056</u>
<u>Net Operating Income</u>	<u>233,120</u>	<u>243,105</u>	<u>(9,985)</u>
<u>Net Income for Return</u>	<u>233,120</u>	<u>243,105</u>	<u>(9,985)</u>

Audit Exhibit SGS-11

Utilities Services of South Carolina, Inc.
Balance Sheet
December 31, 2004

	\$	\$	\$
	<u>Assets</u>		
Plant In Service			
Water	7,811,997		
Sewer	204,472		
Total		8,016,469	
Accumulated Depreciation - Water	(1,614,644)		
Accumulated Depreciation - Sewer	(25,279)		
Total		(1,639,923)	
Net Utility Plant			6,376,546
Plant Acquisition Adjustment - Water	1,180,579		
Plant Acquisition Adjustment - Sewer	65,678		
Total			1,246,257
Construction Work In Process - Water	625,872		
Construction Work In Process - Sewer	538		
Total			626,410
Current Assets			
Cash	0		
Accounts Receivable - Net	374,157		
Other Current Assets	4,133		
Total			378,290
Deferred Charges			35,949
<u>Total Assets</u>			<u>8,663,452</u>
	<u>Liabilities and Other Credits</u>		
Capital Stock and Retained Earnings			
Common Stock and Paid In Capital	5,716,429		
Retained Earnings	234,902		
Total		5,951,331	
Current and Accrued Liabilities			
Accounts Payable - Trade	38,889		
Taxes Accrued	0		
Customer Deposits	104,906		
Customer Deposits - Interest	9,429		
A/P - Associated Companies	2,008,649		
Total		2,161,873	
Advances In Aid of Construction			
Water	0		
Sewer	0		
Total			0
Contributions In Aid of Construction			
Water	28,686		
Sewer	0		
Total		28,686	
Accumulated Deferred Income Tax			
Unamortized ITC	0		
Deferred Tax - Federal	520,934		
Deferred Tax - State	628		
Total		521,562	
<u>Total Liabilities and Other Credits</u>			<u>8,663,452</u>

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

Date Acquired	Description	Amount	Service Life	<u>Note # 1:</u>		Depr. Expense	Accum. Depreciation
				Depr. Rate			
		\$	years	%		\$	\$
<u>US UTILITIES</u>							
25-Aug-95	MQ Computer System	2,041	6	16.67%		0	2,041
25-Aug-95	Computer System	1,310	6	16.67%		0	1,310
25-Aug-95	MQ Computer System	2,862	6	16.67%		0	2,862
03-Oct-95	Plotter Printer	8,503	6	16.67%		0	8,503
05-Oct-95	Computer	2,114	6	16.67%		0	2,114
10-Dec-95	MQ Computer	1,102	6	16.67%		0	1,102
01-Mar-96	Software Program	656	6	16.67%		0	656
02-Aug-96	Pentium Computer	2,013	6	16.67%		0	2,013
08-Nov-96	Scanning Equip	679	6	16.67%		0	679
08-Nov-96	Scanning Equip	543	6	16.67%		0	543
17-Nov-96	Pentium Computer	1,695	6	16.67%		0	1,695
08-Jan-97	Hawkins Software	4,500	6	16.67%		750	4,500
21-Jan-97	AS400 System	79,286	6	16.67%		13,217	79,286
24-Jan-97	Hayes Optima Modem	255	6	16.67%		43	255
10-Jul-97	Sharp PP Laser Fax	1,076	6	16.67%		179	1,076
11-Aug-97	IBM Selectric	263	6	16.67%		44	263
30-Oct-97	Richo Fax	2,228	6	16.67%		371	2,228
09-Apr-98	Fax Machine	891	6	16.67%		149	745
21-Apr-98	Computer Equip	6,099	6	16.67%		1,017	5,085
16-Jun-98	Fax/Printer	839	6	16.67%		140	700
04-Aug-98	Computer Equipment	16,300	6	16.67%		2,717	13,585
20-Oct-98	Fax Machine	2,343	6	16.67%		391	1,955
23-Oct-98	Computer Equipment	1,079	6	16.67%		180	900
12-Nov-98	Computer Equipment	1,370	6	16.67%		228	1,140
11-Dec-98	Computer Equipment	3,046	6	16.67%		508	2,540
15-Jun-99	Computers	8,353	6	16.67%		1,392	5,568
09-Jun-00	Computer	1,143	6	16.67%		191	573
20-Jun-00	Computer	1,349	6	16.67%		225	675
20-Mar-97	Conference Table	843	15	6.67%		0	0
20-Mar-97	Light Fixtures	389	15	6.67%		0	0
06-Oct-97	2 Desks	927	15	6.67%		62	372
09-Oct-97	2 Desks	1,827	15	6.67%		122	732
01-Feb-98	Office Furniture	1,550	15	6.67%		103	515
16-Jun-98	Desk	661	15	6.67%		44	220
15-Oct-98	Office Furniture	2,480	15	6.67%		165	825
15-Nov-98	Office Furniture	4,047	15	6.67%		270	1,350
15-Dec-98	Office Furniture	687	15	6.67%		46	230
15-Jun-99	Office F&F	1,152	15	6.67%		77	308
	2 Disposed Assets	(1,232)	0	0		0	0
12-Jun-98	1998 Malibu	14,586	6	16.67%		0	0
10-Jul-98	1998 Lumina	21,500	6	16.67%		3,584	17,920
15-Jun-99	Auto	20,551	6	16.67%		3,426	13,704
	1 Disposed Asset	(14,586)	0	0		0	0
Total US UTILITIES		209,320				29,641	180,768

Note # 1: Depreciation Rates Recommended by ORS's Water and Wastewater Department

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

Date Acquired	Description	Amount	Service Life	Note # 1:		Depr. Expense	Accum. Depreciation
				Depr. Rate			
		\$	years	%		\$	\$
<u>UTILITIES OF SOUTH CAROLINA</u>							
01-Oct-84	Type Writer	259	6	16.67%		0	259
17-Feb-97	Computers	735	6	16.67%		123	735
01-Jun-97	Computers	1,477	6	16.67%		246	1,477
01-Jan-85	Land	10,185	0	0		0	0
01-Jan-85	Land	1,000	0	0		0	0
20-Dec-94	Land	681	0	0		0	0
30-Jun-97	Land	1,666	0	0		0	0
30-Jun-78	Tanks & Standpipes	43,144	35	2.86%		1,234	30,850
01-Jan-80	Water System	172,912	45	2.22%		3,839	88,297
30-Jun-80	Wells Crest	28,518	30	3.33%		950	21,850
30-Jun-80	Mains Crest	172,222	35	2.86%		4,926	113,298
01-Jul-80	Water Meters	1,634	20	5.00%		0	1,634
01-Dec-84	Water System	2,250	45	2.22%		50	950
01-Dec-84	Water System	2,250	45	2.22%		50	950
01-May-85	Water System	22,500	45	2.22%		500	9,000
01-May-85	Sewer System	22,500	45	2.22%		500	9,000
01-Oct-86	Water Meters	1,200	20	5.00%		60	1,020
01-Oct-86	Radio	3,350	10	10.00%		0	3,350
01-Mar-87	Sewer Equip	2,917	15	6.67%		0	2,917
01-May-87	Water System	1,000	45	2.22%		22	352
01-May-87	Lawn Mowers	452	12	8.33%		0	452
01-Sep-87	Water System	3,500	45	2.22%		78	1,248
01-Jan-90	5HP Motor	943	20	5.00%		47	611
01-Mar-90	Water Meters	425	20	5.00%		21	273
01-Mar-90	Control Box	173	25	4.00%		7	91
01-May-90	RockWLMeter	199	66.67	1.50%		3	39
01-Jul-90	3HP Control Box	219	25	4.00%		9	117
01-Oct-90	Davis Meters	1,450	20	5.00%		73	949
01-Dec-90	Meters	391	20	5.00%		20	260
01-Mar-91	Daves Water System	148,675	45	2.22%		3,301	39,612
01-Sep-91	Darby Well	1,219	30	3.33%		41	492
01-Dec-91	Stewart 2 Way	604	20	5.00%		30	360
01-Dec-91	Darby Pump	1,804	20	5.00%		90	1,080
01-Feb-92	Water Meter	350	20	5.00%		18	198
01-Apr-92	Pump Motor	734	20	5.00%		37	407
01-Jul-92	Davis Water	1,073	45	2.22%		24	264
01-Sep-92	Control Box	264	25	4.00%		11	121
01-Jan-93	Pump & Motor	739	20	5.00%		37	370
01-Feb-93	Chem Feeders	1,077	8	12.50%		0	1,077
01-Mar-93	Meters	3,673	20	5.00%		184	1,840
01-Jul-93	Pump Houses	1,124	40	2.50%		28	280
01-Sep-93	Meters	1,044	25	4.00%		42	420
01-Oct-93	Meters	1,494	25	4.00%		60	600
01-Oct-93	Pump House	562	40	2.50%		14	140
01-Dec-93	Pump Houses 8	4,704	40	2.50%		118	1,180
01-Dec-93	Pump Houses 6	4,757	40	2.50%		119	1,190
01-Dec-93	Cell Phone	723	10	10.00%		72	723
01-Feb-94	Error Dep Basis	1,861	66.67	1.50%		28	252

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

Date Acquired	Description	Note # 1:				
		Amount	Service Life	Depr. Rate	Depr. Expense	Accum. Depreciation
		\$	years	%	\$	\$
01-Feb-94	4 Metal Sheds	2,431	40	2.50%	61	549
01-Feb-94	Utility Bldgs	4,809	40	2.50%	120	1,080
01-Mar-94	6 Pump Houses	3,607	40	2.50%	90	810
11-Mar-94	Pump Crest	3,509	20	5.00%	175	1,575
01-Apr-94	Meters	1,545	25	4.00%	62	558
01-Apr-94	Two Way Radio	541	10	10.00%	54	486
01-Apr-94	Darby	927	30	3.33%	31	279
01-Apr-94	Two Way Radio	232	10	10.00%	23	207
01-May-94	Meters	4,970	25	4.00%	199	1,791
01-May-94	Pump	574	20	5.00%	29	261
01-May-94	Ower	1,202	66.67	1.50%	18	162
01-Jun-94	Meters	1,462	25	4.00%	58	522
01-Jul-94	Meters	4,011	25	4.00%	160	1,440
01-Jul-94	Pump	423	20	5.00%	21	189
01-Aug-94	Radio Equip	374	10	10.00%	37	333
01-Sep-94	Meters	3,362	25	4.00%	134	1,206
01-Sep-94	Farm Pond Meter	2,000	25	4.00%	80	720
01-Sep-94	Farm Pond Pumps	4,000	20	5.00%	200	1,800
01-Sep-94	Farm Pond System	750	45	2.22%	17	153
01-Oct-94	Pump 2	1,970	20	5.00%	99	891
01-Dec-94	Pump	665	20	5.00%	33	297
02-Dec-94	Pump and Motor	853	20	5.00%	43	387
20-Dec-94	Pump Houses	1,176	40	2.50%	29	261
20-Dec-94	Chemical Feeders	4,752	8	12.50%	0	4,752
20-Dec-94	2 HP Pump	1,007	20	5.00%	50	450
20-Dec-94	Utility Shed Crest	1,817	25	4.00%	73	657
15-Feb-95	HP Pump	810	20	5.00%	41	328
27-Jul-95	14 Chemical Feeders	1,401	8	12.50%	175	1,401
27-Jul-95	HP Pump	1,046	20	5.00%	52	416
31-Oct-95	6 Feeders	1,251	8	12.50%	156	1,251
23-Jan-96	Meters	864	25	4.00%	35	245
31-Mar-96	Various Pump	6,877	20	5.00%	344	2,408
01-Jan-97	2 Air Compressor	502	12	8.33%	42	252
15-Jan-97	Piping	1,629	45	2.22%	36	216
18-Jun-97	Pump & Motor	3,713	20	5.00%	186	1,116
25-Jun-97	HP Pump & Motor	675	20	5.00%	34	204
23-Jul-97	Pump & Motor	717	20	5.00%	36	216
20-Aug-97	Meters	912	25	4.00%	36	216
01-Jun-98	Water & Equipment	2,127	32	3.13%	67	335
01-Jun-98	Water Utility Plant	1,142,187	32	3.13%	35,750	178,750
03-Jun-98	Organizational Costs	40,919	0	0	0	0
01-Sep-89	1989 Chevy	15,000	6	16.67%	0	15,000
19-Nov-96	89 Chevy Truck	7,000	6	16.67%	0	7,000
30-Jun-98	Chevrolet Trucks	18,710	6	16.67%	3,119	15,595
30-Jun-98	Chevrolet Trucks	16,480	6	16.67%	2,747	13,735
06-Jul-98	Bed Liner for Truck	1,050	10	10.00%	105	525
08-Jul-98	Tool Box for Truck	1,407	10	10.00%	141	705
22-Mar-00	Vehicle	21,732	6	16.67%	3,623	10,869
01-May-00	Vehicle	21,684	6	16.67%	3,615	10,845
Total UTILITIES OF SOUTH CAROLINA		2,038,295			69,248	624,029

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

		Note # 1:				
Date		Service	Depr.	Depr.	Accum.	
Acquired	Description	Amount	Life	Rate	Expense	Depreciation
		\$	years	%	\$	\$
<u>SOUTH CAROLINA WATER & SEWER</u>						
20-Dec-96	Machinery & Equipment	86,634	25	4.00%	3,465	24,255
30-May-97	18 Ft Trailer	1,785	6	16.67%	298	1,785
30-May-97	Ford Tractor Equip	28,285	6	16.67%	4,715	28,285
20-Dec-96	Furn & Fixtures	14,857	15	6.67%	991	6,937
20-Dec-96	Land & Land Rights	225,526	0	0	0	0
20-Dec-96	Organization & Startup Costs	380,442	0	0	0	0
20-Dec-96	Franchises	2,221	40	2.50%	56	392
20-Dec-96	Structures & Improvements	406,506	32	3.13%	12,724	89,068
20-Dec-96	Wells & Springs	145,315	30	3.33%	4,839	33,873
20-Dec-96	Supply Mains	234,819	35	2.86%	6,716	47,012
20-Dec-96	Pumping Equipment	49,684	20	5.00%	2,484	17,388
20-Dec-96	Water Treatment Equipment	106,722	22	4.55%	4,856	33,992
20-Dec-96	Dist. Reservoirs & Standpipes	615,833	37	2.70%	16,627	116,389
20-Dec-96	Transmission & Dist. Mains	840,400	43	2.33%	19,581	137,067
20-Dec-96	Services	382,461	40	2.50%	9,562	66,934
20-Dec-96	Meter & Meter Install	112,860	25	4.00%	4,514	31,598
20-Dec-96	Hydrants	9,275	45	2.22%	206	1,442
24-Feb-98	Water Util Prop	14,175	32	3.13%	444	2,220
30-Sep-98	Water Util Prop	25,919	32	3.13%	811	4,055
29-Dec-98	Water Util Prop	9,666	32	3.13%	303	1,515
31-Mar-99	Water Util Prop	63,415	32	3.13%	1,985	7,940
20-Dec-96	1995 Dodge Pickup	15,425	6	16.67%	0	15,425
20-Dec-96	1994 Dodge Pickup	11,590	6	16.67%	0	11,590
20-Dec-96	1995 Chev Pickup	13,404	6	16.67%	0	13,404
20-Dec-96	1990 Jeep Cherokee	3,683	6	16.67%	0	3,683
20-Dec-96	1991 Ford 1/2 & 3/4 Pickup	93	6	16.67%	0	93
20-Dec-96	1985 Ford E-700	283	6	16.67%	0	283
17-Jun-97	1997 X-Cab #8553	18,751	6	16.67%	3,126	18,751
17-Jun-97	1997 Worktruck #8518	16,012	6	16.67%	2,669	16,012
17-Jun-97	1997 S-10 #6951	12,393	6	16.67%	2,066	12,393
31-Mar-99	1995 Ford Explorer	22,334	6	16.67%	3,723	14,892
Total SOUTH CAROLINA WATER & SEWER		3,870,768			106,761	758,673
USSC Plant Through Acquisition as of 12/31/02		6,118,383				
<u>Assets Not Included by ORS</u>						
<u>UTILITIES OF SOUTH CAROLINA</u>						
03-Jun-98	Organizational Costs	(40,919)			0	0
<u>SOUTH CAROLINA WATER & SEWER</u>						
20-Dec-96	Organization & Startup Costs	(380,442)			0	0
ORS Plant Through Acquisition as of 12/31/02		5,697,022			205,650	1,563,470

Utilities Services of South Carolina, Inc.
Plant Restatement & Plant Acquisition Adjustment
For the Test Year Ended December 31, 2004

<u>Gross Plant Acquisition Adjustment - 2002</u>	ORS	USSC
	\$	\$
Plant through Acquisition (as restated)	5,697,022	6,118,383
A/D through Acquisition (as restated)	<u>(1,563,470)</u>	<u>(944,725)</u>
Net Plant at Acquisition (as restated)	<u><u>4,133,552</u></u>	<u><u>5,173,658</u></u>
Purchase Price	5,292,924	5,292,924
Net Plant at Acquisition (as restated)	<u>(4,133,552)</u>	<u>(5,173,658)</u>
Plant Acquisition Adjustment (as restated) Note	<u><u>1,159,372</u></u>	<u><u>119,266</u></u>
Plant Acquisition Adjustment (as restated)	1,159,372	119,266
Amortized @ 10% (10 years)	<u>10.00%</u>	<u>1.50%</u>
Amortization Expense	<u>115,937</u>	<u>1,789</u>
Less: Per Book Amount	<u>(25,964)</u>	<u>(25,964)</u>
Amortization Adjustment	<u><u>89,973</u></u>	<u><u>(24,175)</u></u>

Note # 2: ORS does not propose to include the Plant Acquisition Adjustment in the Rate Base.

Utilities Services of South Carolina, Inc.
Plant in Service and Accumulated Depreciation - As Adjusted
Test Year Ended December 31, 2004

Restated Per ORS**Plant in Service**

\$

Gross Plant in Service - Per Book (USSC)	8,367,148
Less: Organization Costs from Acquired Companies	(421,361)
Gross Plant In Service - Per ORS	7,945,787
Pro-Forma Additions (Vehicles Excluded)	605,535
Pro-Forma Vehicles	79,655
Excess Book Value	963
Work Orders Completed	848,978
Less: Pro Forma Retirements	(301,242)
Less: Extraordinary Retirement	(21,677)
Less: Elevated Storage Tank Removal	(75,053)

Total Gross Plant in Service As Adjusted - Per ORS**9,082,946****Accumulated
Depreciation**

\$

Acquisition Assets(Vehicles Excluded)	1,581,280
Asset Additions (Vehicles & Organization Costs Excluded)	47,132
Organization	7,402
Vehicles	149,209
Pro-Forma Additions (Vehicles Excluded)	9,083
Pro-Forma Vehicles	19,914
Excess Book Value	37
Work Orders Completed	12,735
Less: Pro Forma Retirements	(301,242)
Less: Accumulated Depreciation Assoc. w/Retirements	(506,692)
Accumulated Depreciation - As Adjusted (ORS)	1,018,858
Accumulated Depreciation - Per Book (USSC)	719,490
Adjustment to Increase Accumulated Depreciation	299,368

REVISED EXHIBIT "E"
TO SETTLEMENT AGREEMENT
DOCKET NO. 2005-217-WS

UTILITIES SERVICES OF SOUTH CAROLINA, INC.

PROPOSED SCHEDULE OF RATES AND CHARGES

WATER

1. Monthly Charges
Residential

Basic Facilities Charge per single family
house, condominium, mobile home
or apartment unit:

\$14.39 per unit*

Commodity Charge:

\$3.91 per 1,000
gallons or 134 cft

*Residential customers with meters of 1" or larger
will be charged commercial rate

Commercial

Basic Facilities Charge
by meter size:

1"	°	\$35.98
1.5"	°	\$71.97
2"	°	\$115.15
3"	°	\$230.30
4"	°	\$359.84

Commodity Charge:

\$3.91 per 1,000
gallons or 134 cft

Charges for Water Distribution Only

Where water is purchased from a government body or agency or other entity
for distribution and resale by the Company, the following rates apply:

Residential

Basic Facilities Charge per single family
house, condominium, mobile home
or apartment unit:

\$14.39 per unit*

Commodity charge:

\$2.24 per 1,000
gallons or 134 cft

*Residential customers with meters of 1" or larger
will be charged commercial rate

Commercial

Basic Facilities Charge
by meter size:

1"	°	\$35.98
1.5"	°	\$71.97
2"	°	\$115.15
3"	°	\$230.30
4"	°	\$359.84

Commodity charge: \$2.24 per 1,000
gallons or 134 cft

The Utility will also charge for the cost of water purchased from the government body or agency, or other entity. The charges imposed or charged by the government body or agency, or other entity providing the water supply will be charged to the Utility's affected customers on a pro rata basis without markup. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup. The Utility shall give the Commission thirty days notice of its intent to pass-through to customers purchased water charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. The Utility shall provide with such notice written documentation of an increase by the provider of purchased water justifying the increase in the amount of purchased water charges sought to be passed-through to affected customers. In the event that an increase in the amount of purchased water charges to be passed through to customers rate is found by the Commission to be so justified, USSC will then be required to give customers an additional thirty days notice before the increase in the purchased water charges to be passed through may be put into effect.

Commercial customers are those not included in the residential category above and include, but are not limited to hotels, stores, restaurants, offices, industry, etc.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service

interruptions.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

2. Nonrecurring Charges

Tap Fees	\$500 per SFE*
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3. Account Set-Up and Reconnection Charges

a. Customer Account Charge - for new customers only.

All Areas	\$25.00
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b. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of thirty five dollars (\$35.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

6. Cross Connection Inspection Fee

Any customer installing, permitting to be installed, or maintaining any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2 (Supp. 2004), as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61—58.7.F.8.(Supp. 2004), as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later than June 30th of each year. Should a customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed certified tester and add the charges incurred by the Utility in that regard to the customer's next bill.

- * A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2004), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

SEWER

1. Monthly Charges

Residential - charge per
single-family house, condominium,
villa, or apartment unit: \$41.39 per unit

Mobile Homes: \$29.74 per unit

Commercial: \$41.39 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Charge for Sewer Collection Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity, for treatment, the Utility's rates are as follows:

Residential - per single-family house,
condominium,
or apartment unit \$26.64 per unit

Commercial - per single-family
equivalent \$26.64 per SFE*

The Utility will also charge for treatment services provided by the government body or agency, or other entity. The rates imposed or charged by the government body or agency, or other, entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup. The Utility shall give the Commission thirty days notice of its intent to pass-through to customers treatment charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. The Utility shall provide with such notice written documentation of an increase by the provider of treatment services justifying the increase in the amount of treatment charges sought to be passed-through to affected customers. In the event that an increase in the amount of treatment charges to be passed through to customers rate is found by the Commission to be so justified, USSC will then be required to give customers

an additional thirty days notice before the increase in the treatment charges to be passed through may be put into effect.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

At such time as the Utility determines through its inspection that excessive solids have accumulated in the interceptor tank, the Utility will arrange for pumping the tank and will include \$150.00 as a separate item in the next regular billing to the customer.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement and may be paid for over a one year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such a visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

2. Nonrecurring Charges

Tap Fee	\$500 per SFE*
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The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. Notification, Account Set-Up and Reconnection Charges

a. Notification Fee

A fee of six dollars (\$6.00) shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

b. Customer Account Charge - for new customers only.

All Areas	\$25.00
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A one-time fee to defray the costs of initiating service. This charge will be waived if the customer also takes water service.

c. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of two hundred fifty dollars (\$250.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly service charge for the service period they were disconnected.

4. Billing Cycle

Recurring charges will be billed monthly, in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Toxic and Pretreatment Effluent Guidelines

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

6. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable

wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving sewer system.

In no event will the Utility be required to construct additional wastewater treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2004), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.